

BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of October 18, 2012

Co-Chair Councilor Karen Paul convened the fourth meeting of the Committee at 5:45 p.m. on October 18, 2012 at Conference Room #1 of the Burlington International Airport. Present were Co-Chair Paul, Committee members Jane Knodell, Chris Cole, Vince Dober, Jeff Munger, Jeff Schulman, Ernie Pomerleau, Louise Stoll, Ed Colodny, Ann Beland, Sandy Miller, Michael O'Brien and Col. Joel Clark. Also present were Counsel/Staff Joseph McNeil, Congressional Representatives Ted Brady from Senator Leahy's Staff and Megan Rodriguez from Congressman Welch's Staff. Airport Staff members Heather Kendrew, Bob McEwing and Ryan Betcher were present as was Airport Commissioner Bill Keogh, South Burlington City Councilor Roseanne Greco and South Burlington resident David Deslauriers.

On motion of Sandy Miller and Jane Knodell the meeting agenda was approved unanimously.

Co-Chair Paul then convened the public forum. Mr. Deslauriers informed the Committee of an event that had occurred on Delaware Street where one of the properties acquired by the Airport and now vacant required a police response because the door was left open and a burglary was taking place. Mr. Deslauriers indicated that in his view too many acquired houses remain not sufficiently secured and unsafe. Airport staff mentioned that the premises were opened on this occasion in order to accommodate a request from the South Burlington Board of Civil Authority to conduct inspections in connection with pending tax appeal.

On motion of Vince Dober and second by Jeff Schulman, the minutes of the meeting of September 27, 2012 were unanimously approved.

Co-Chair Paul indicated that the meeting scheduled for last week was postponed to this date because too many Committee members had unavoidable conflicts that prevented their attending. She emphasized the importance of this particular meeting, and indicated a desire to hear from each and every member of the Committee regarding their viewpoint as to what the Airport needed to do to survive and thrive, and also to elicit each member's viewpoint with regard to what surviving and thriving means for the Airport. She said that in short, the Committee was attempting to both define and give guidance as to what a successful thriving Airport would look like into the 21st Century.

Co-Chair Paul also indicated that developing the Committee's views with regard to surviving and thriving was critically important for the development of the RFP for consulting services, as it will have a bearing upon what the consultant takes into account. She indicated that the intent was to get the RFP out by Monday or Tuesday at the latest. In this context, she indicated that on Thursday, October 25, 2012, the Bond group from Denver, Colorado would make a presentation to the Committee. The Committee will also most likely hear a presentation from Intervistas of Washington, D.C.

Vince Dober was first to speak as a Committee member. He distributed a handout and grading matrix which summarized the Committee's charge and the parameters of Airport operations, specifically delineating strategy focus items such as maintaining and increasing flights and destinations, effective property management, marketing and communication and maintaining and increasing good passenger experiences, together with reference to the topics to be utilized, the action plan to be developed and the individuals responsible, as well as a recommended timeline.

Jane Knodell indicated that as an academic and economist, she believed that the primary focus should be on improving financial practices as job number one and marketing as job number two. She noted that the Airport must be recognized as having a very large and important financial and cultural impact upon the community, but that its core element must be its financial health.

Co-Chair Paul stated that the Airport is indeed challenged financially. She observed that its physical plant is very strong but questioned whether it is being used to its maximum potential. She observed that utilization of space seems to be a bit disjointed.

Ed Colodny noted that some Airport issues such as TSA efficiency simply cannot be solved by the Strategic Planning Committee. He cautioned the Committee not to get too far down into the weeds, but to remain focused instead upon primary objectives.

Chris Cole noted the need for stability both with regard to revenues management and governance, and that they needed to be in sync with each other.

Ed Colodny addressed his concept of surviving and thriving. He stated that in order to survive, the Airport would need to break even in its operations, covering its day to day expenses, but having nothing left over to invest in tomorrow's needs. He stressed the importance of surviving, keeping what we have and making sure that those entities that are feeding the Airport's needs at present be satisfied, so that services are maintained. Ed made it clear that he was not addressing the question of governance in this articulation.

With regard to thriving, Ed stated that the number one obligation is to make sure that any surplus is not allowed off the Airport to assist with any other municipal need. Instead, surplus funds should be utilized to increase the service and the demand that supports air service. He emphasized that profitability of their operations is a key ingredient in decisions made by airlines

to stay and/or to expand service at airports. He stated that it was critically important for the Airport to understand what it can do to assist in the profitability of the airlines serving Burlington.

Mr. Colodny also concentrated on the type of services that the Airport could offer as a destination for the non-traveler. He made specific reference to food services that in many situations incent the public to come to an airport. He emphasized that it is not necessary to go way outside the box of traditional services in order to create a thriving airport.

Jeff Munger observed that the Airport has lost 1,600 seats in September as a result of smaller aircraft and fewer planes being available despite load factors of 85-86% of capacity. He indicated that in his mind one of the largest questions is what can the Airport do to fight against the current economic setting for airlines in order to maintain and expand service?

Ann Beland indicated that there were lots of reasons why service does not grow and sometimes contracts. She said that this is particularly true where fuel prices were high and costs of operations are high. She suggested that the Airport could do a much better job with regard to its marketing effort. Additionally, she stated that the Airport has not been as transparent as it should be with its airlines in the area of predictability and rising fares. Noting particularly that back billing for a year and a half is not helpful, and that surprise is never a good thing for airlines.

Ed Colodny noted that airlines have a finite number of aircraft, and they look to deploy them in markets that produce the highest degree of profitability. He observed that revenue maximization at lowest possible cost is the driving force, and that short haul markets are the most costly while long distance markets are the most profitable. Unfortunately, Burlington has many short haul markets such as New York and Philadelphia. He emphasized that airlines look

very carefully at their actual yield per passenger leaving an airport and suggested that it was imperative for Airport representatives to have regular meetings with carriers so that they understand fully the actual yield on passengers leaving BTV.

Louise Stoll asked Ed Colodny what are most profitable non-aviation activities that an airport could be involved with. Ed suggested that the Airport start with tremendous emphasis on food concessions. He made reference to Pittsburgh Airport which is of a different size than Burlington, but which took great advantage of opportunities for non-aviation related revenues. He also noted that the Airport could do a much better job with concessions inside the security area that need not be labor intensive, giving the example of massage chairs. He noted, however, that each airport has different opportunities and that close work with marketing people is essential.

Jeff Schulman noted that capitalizing on potential parking revenues ought to be a significant part of the marketing effort. He also reminded the Committee of the advice received from Steve Baldwin to treat existing airlines like we do not have them at the Airport. He observed we should not be so intent on reaching for the stars that we forget the existing planets; that we should be very pleased about the options for travel we now have from Burlington and that we should not lose this leverage, making every effort to retain it.

Ed Colodny recommended that the Committee and the Airport pay close attention to flight statistics that track flights and review what passengers think. He observed that although Burlington overall had good ratings result, it was lowest in the area of amenities and on-time performance by airlines. He observed, however, that on-time performance is not really within the Airport's control.

Jeff Munger observed that issues such as weather in D.C. and New York can have significantly deleterious impacts upon Burlington. Both he and Ed Colodny agreed, however, that Burlington does a great job in cleaning its air field of snow and ice.

Sandy Miller stated that in his view, the work of the Committee must include the needs of the larger surrounding communities, with concentration on tactical as well as strategic objectives such as discerning what we do well, what we could do much better, etc. He emphasized the need for the Airport to be smart, passionate and compassionate putting the right people in the right places with strong hands on the tiller, a good eye for detail and great communication skills.

In response to a question from Karen Paul as to what he perceives the Airport does well, Mr. Miller indicated he was not completely sure, but he was confident in saying that the Airport does not currently communicate as well as it could. He made reference to the effort to acquire South Burlington houses, which he believes was not coordinated well at all.

Ernie Pomerleau emphasized that the Committee needs to pay attention to all of the matrix and be aware that the operation of the Airport is something like a mobile with action and reaction. He emphasized that he saw the cup as half full, with many good things being done but also problems such as leakage. He emphasized that the Committee should inventory what's good at the Airport, why it is good and what improvements are necessary to prevent backsliding.

Vince Dober stressed that although much good is happening here, we also need to contend effectively with high costs, limited seats and reduced numbers of passengers.

Ed Colodny emphasized two areas that are currently problematic. The first is that airline carriers are subcontracting short haul routes to commuter airlines, many of which are in significant financial trouble to the point of bankruptcy. The second caution he offered was that it could be a mistake for this Airport to place too many of its eggs in the Canadian service basket.

He stressed that even though the Airport is obviously now competitive for that market, and that Canadian business accounts are up to 40% of revenues, over reliance upon the Canadian market may be a long-term weakness. He stressed that all things considered, the Airport could be most healthy if it could thrive on business from this immediate market area.

Vince Dober noted how the Plattsburgh Airport was essentially positioning itself for the Canadian market. Mr. Colodny observed that we should be careful about the impacts of a discount carrier and that it would be better for all the airlines serving the Airport to have profitability.

Ted Brady emphasized that from the standpoint of the congressional delegation, the question is how to provide the best service at the lowest possible prices to Vermonters. He emphasized that service to the Canadian market is by no means to be discounted but that from a governmental standpoint, good service at affordable prices to the residents and businesses of this market is regarded as successful.

Michael O'Brien noted the need to explore the advantages and disadvantages related to increasing the size of the Airport's offerings. He stressed the need to fully understand who it is that we are presently serving and what level of service we are providing. He noted anecdotally that a flight he arrived on had to wait out on the Airport perimeter because the gate was not ready for the plane's arrival, even though it did not seem the Airport was excessively busy at the time.

Co-Chair Paul specifically asked Ann Beland her perception of the issues that prevent the Airport from thriving. She responded by indicating that there were not sufficiently regular meetings with the airlines; that responsiveness to their concerns was not adequate and that generally there was not enough being done to make communications as seamless as possible.

Jeff Munger and Ed Colodny both emphasized the need to be speaking directly to the main line airlines and letting them speak to their subcontracting carriers.

Col. Clark stated that from the Air Guard perspective, cooperation with the Airport and community relations particularly with respect to runways and traffic were of critical importance. He stressed that the Guard's relationships with the Airport were very good. He also stated that from his perspective as a Committee member, the goal should be to make the Airport the airport of choice for this area.

Sandy Miller indicated that the question was too complex to answer in full, in a few minutes, but that the key ingredients were communications, predictability and transparency. In answer to a question from Mr. Colodny as to whether South Burlington actually had "skin in the game", Mr. Miller answered that there were many South Burlington dollars in the game with regard to land use patterns, taxes, stormwater utility fees, etc.

Mike O'Brien indicated that overhead flights were part of life in Winooski, but it was imperative that the adverse impacts be reduced whenever possible. He stated that although it's the impression that the Airport functions well presently, he cautioned the group that earlier and earlier morning flights either arriving or departing would have adverse impact upon community relations in Winooski.

After such comments from Sandy Miller and Mike O'Brien, Co-Chair Paul asked both, on behalf of the cities they represent on this Committee, if their municipalities want the Airport to be financially successful. Mr. O'Brien responded in the affirmative and Mr. Miller said he believed that indeed the City of South Burlington does want the Airport to be financially successful just not at any price. That price he said would include addressing the effects the Airport has had on its adjacent neighborhoods.

Co-Chair Paul also pointed out that much could be done to assist the traveler who is delayed at Burlington; that there is not currently much to do to occupy one's time inside the security area in particular.

Joseph McNeil emphasized the importance of the Airport as an economic driver to the region and its indispensable role in the maintenance of the region's economy.

Chris Cole made a similar observation. He noted that the Airport was critical to the economy of northern Vermont and emphasized the absolute importance of its remaining a stable entity both financially and operationally. He asked rhetorically whether it was a good plan that one municipality, namely the City of Burlington, bear such a large degree of responsibility for the sustainability of the Airport. He stressed his view that the Committee really needs to think in terms of the best management possible and the best governance structure for the future of the Airport.

Jeff Schulman and Louise Stoll both emphasized that the Committee should not lose sight of the success the Airport has had and is still having. Louise indicated that she would like a more robust discussion about the relationship of the Airport to the Canadian market.

Ed Colodny stated that the physical plant of the Airport was first class but that the physical plant was not being fully utilized as it ought to be. He noted that there are 10 active gates for the 33 flights a day which left a significant margin for enhancement. He observed that connections are geared to the scheduling hub airport. Ann Beland concurred that the schedules were designed to meet up with connections at hubs.

Ernie Pomerleau stressed that what the Baldwin report accomplished for the business community was a serious study, and that the Airport was determined to have many strengths but

also significant room for improvement. He emphasized the significance of the fact that no one from the Airport had talked to Dealer.com as a large marketing error.

Jeff Munger emphasized that the distribution at the Airport is currently 60% leisure travel and 40% business travel, and that the Committee should keep this in mind as it considers the future.

Karen Paul emphasized that the RFP for consulting services would go out early next week and that the Committee would hear from the Boyd Group next Thursday, as well as inviting Intervistas to address the Committee. It was also agreed that there would be a governance discussion by the Committee in early December and that in as much expertise as can be brought to bear on the subject would be helpful. Chris Cole emphasized that it was important to do this with full awareness of the financial aspects. Karen Paul emphasized that the month of November would be spent hearing from consultants and receiving and analyzing the RFP with December allocated to the governance issue.

These minutes should be considered to be supplemented by the boards prepared by Ryan Betcher noting the points of discussion as the meeting progressed.

As the time had reached 7:40 p.m. and the Committee was promised two hour meetings, the meeting was then adjourned.

Joseph E. McNeil,
Committee Clerk

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